

OVERVIEW

This Report contains 41 paragraphs, four performance reviews and four long paragraphs apart from comments on the Finance and Appropriation Accounts. The draft audit paragraphs and draft audit reviews are sent to the concerned Secretaries to the State Government by the Accountant General with a request to furnish replies within eight weeks. The Secretaries are also reminded by the Accountant General for replies. However, despite such efforts, adequate response was not received from the concerned Secretaries to the State Government.

1. FINANCES OF THE STATE GOVERNMENT

- ◆ Revenue receipts of the State increased from Rs 3,046 crore in 2000-2001 to Rs 4,635 crore in 2004-2005. Rate of growth during 2004-2005 was 16.43 *per cent*. Rate of growth of revenue receipts failed to keep pace with GSDP growth in three out of five years. While 40 *per cent* of the revenue receipts during 2004-2005 have come from States' own resources (tax and non-tax), Central tax transfers and grants-in-aid together contributed 60 *per cent* of the total revenues.
- ◆ Overall expenditure of the State comprising revenue expenditure, capital expenditure and the loans and advances increased at an average annual trend of 8 *per cent* to Rs 6,471 crore in 2004-2005 from Rs 4,918 crore in 2000-2001. Expenditure on General Services and Interest payments, considered as non-developmental, accounted for 42.54 *per cent* of the total expenditure in 2004-2005.
- ◆ By the end of 2004-2005 total investment in statutory corporations, etc., stood at Rs 1,943 crore compared to Rs 1,179 crore in 2000-2001. Dividend received from these companies, etc., was negligible.
- ◆ Fiscal liabilities of the State increased from Rs 8,621 crore in 2000-2001 to Rs 16,533 crore in 2004-2005 at an average annual rate of 18.57 *per cent*. The net funds available towards the internal debt, loans and advances from Government of India and other liabilities after providing for interest and repayments were 28 *per cent* on an average during 2000-2005 of total fiscal liabilities. In addition, Government had given guarantees which stood at Rs 4,751 crore.
- ◆ The Government could not maintain minimum cash balance with the Reserve Bank of India and obtained ways and means advances of Rs 1,579 crore on 93 days and overdraft of Rs 320 crore on 27 days. Interest of Rs 2.34 crore was paid during the year on ways and means advances and overdraft.
- ◆ The State Government failed to meet various milestones set by the Eleventh Finance Commission for bringing about financial discipline. Against the admissible non-plan revenue grants of Rs 4,549.26 crore, the State Government received Revenue Deficit Grants of

Rs 3,978.07 crore and incentive fund of Rs 156.96 crore during 2000-2005. Grant of Rs 414.23 crore was thus not availed during 2000-2005. Action on the commitments made by the State Government in the Memorandum of Understanding signed with the Central Government in May 2004 was not adequate.

(Chapter-1)

2. ALLOCATIVE PRIORITIES AND APPROPRIATION

- ◆ Expenditure incurred by the Government, substantially in excess of the amounts sanctioned by the State Legislature, remained to be regularised in terms of Article 205 of the Constitution of India. As of August 2005, excess expenditure of Rs 15,931.40 crore incurred during 2000-2005 remained to be regularised.
- ◆ During 2004-2005, there were savings in 34 cases aggregating Rs 267 crore. Of these, savings of Rs 241 crore (90 per cent) occurred in eight grants and one appropriation.
- ◆ Supplementary provisions totalling Rs 1.77 crore obtained in three cases during the year proved unnecessary as the expenditure in these cases was less than the original budget provisions.
- ◆ In two cases, the amount surrendered exceeded the overall savings by Rs 3.47 crore. Further, in the case of four grants, Rs 12.24 crore were surrendered although expenditure exceeded the grant and no savings were available for surrender.
- ◆ Recoveries in reduction of expenditure were grossly under estimated by Rs 422.44 crore.
- ◆ In 13 cases (sub-heads) involving 11 grants/appropriations Rs 65.85 crore were injudiciously reappropriated as the original grants were adequate or no savings were available for surrender.

(Chapter-II)

PERFORMANCE REVIEWS/LONG PARAGRAPHS

3. Backward Area Sub Plan

The level of achievement of the objective of Backward Area Sub-Plan (BASP) to reduce regional imbalances in the development of backward areas of the State could not be assessed as five year status review of declared backward areas had not been conducted. Cases of irrational budgeting, excess expenditure over the allocated budget and un-authorized reappropriations were noticed. Works were not monitored by the District Planning and Development-cum-Twenty Point Programme Committees (DPDCs)/Deputy Commissioners (DCs). As a result, development works suffered due to time and cost overruns. The DCs had not prepared Annual Action Plans/Shelf of schemes. Besides, people's participation in planning process was not ensured due to non-holding of regular and timely meetings of the DPDCs, in which

Annual Action Plans were to be approved. Some significant findings in the four districts test-checked are given below:

- ◆ Annual Action Plans for the period 2000-2005 for implementing BASP in 13 designated sectors had not been prepared by the Deputy Commissioners. As a result, expenditure of Rs 279 crore was incurred without planning during these years.
- ◆ In nine Public Works divisions, 114 roads sanctioned between March 1977 and December 2003 remained incomplete for periods ranging from one year to 24 years after incurring an expenditure of Rs 38.25 crore.
- ◆ Eighty four rural water supply schemes targeted to benefit 51,775 persons and 11 irrigation schemes projected to irrigate 244.57 hectares of culturable command area sanctioned between July 1995 and March 2004 remained incomplete for one year to four years after incurring expenditure of Rs 7.66 crore.
- ◆ Out of 31 residential buildings to be constructed between 1999 and 2002 for teachers under *Yashwant Gurukul Awas Yojna* to motivate them to serve in tribal and backward areas, 25 buildings had not been constructed due to various reasons defeating the objective of the scheme.
- ◆ Fifteen *per cent* share of Sectoral Decentralised Planning programme amounting to Rs 3.11 crore had not been earmarked for Backward Area Sub Plan during 2000-2005, as required.

(Paragraph 3.1)

4. Flood Control Works

Long term master plan for protecting land and property from floods had not been prepared resulting in execution of flood protection works in an unintegrated and piecemeal manner which failed to provide adequate protection to the areas prone to flood damages. There was significant shortfall in achievement of targets fixed for protection of flood prone areas. Some of the significant audit findings are:

- ◆ Against 2.31 lakh hectares flood prone area required to be protected in the State, only 0.12 lakh hectares was covered as of March 2005. Annual targets were pitched low due to inadequate provision of funds.
- ◆ Emergent works intended to protect 1,020 hectares of land and property in Kullu district were not taken up for execution.
- ◆ Wasteful expenditure of Rs 91.03 lakh was incurred on providing protection works to agriculture farm Pekhubela in Una district.

- ◆ Failure to provide recommended foundation placed at risk the flood protection works of Rs 4.39 crore at the Swan River Flood Management Project. Besides, use of material other than that approved, at Indora, Rohru and Flood Protection Gagret Divisions resulted in below specifications works costing Rs 65.06 lakh.
- ◆ Protection works completed at a cost of Rs 11.75 crore were not being maintained.

(Paragraph 3.2)

5. Working of Revenue Department

The main objectives of the department viz., consolidation of holdings, settlement operations, computerisation of land records, updating of revenue records and providing relief measures to sufferers of natural calamities were not fully achieved. Some of the main points noticed in audit were as under:

- ◆ Consolidation of holdings in 53 *per cent* of identified area in the State was lying incomplete even after 50 years of launching of the scheme and incurring expenditure of Rs 22.36 crore on running the department during 2000-2005 alone. The percentage shortfall in achievement of targets under “consolidation of holdings” ranged between 60 and 100 during 2000-2005.
- ◆ The percentage shortfall in achievement of physical targets under “Survey and Settlement Operations” and “Forest Settlement and Demarcation” ranged between six and 31 and two and 55 respectively during 2000-2005.
- ◆ As of March 2005, only 10 *per cent* of the *jamabandis* had been computerised in the State though these were required to be completed within three years from the receipt of first instalment. In Kangra district, only five *per cent jamabandis* had been completed and consigned to records room as of March 2005 even though the scheme of computerisation was started in the district during 1989-1990.
- ◆ Investment of Rs 4.80 crore on manpower and infrastructure in Revenue Training Institute, Jogindernagar (Mandi district) between 1997-2005 proved largely unfruitful as no training was imparted to the personnel of Revenue Department during 2000-2002. Shortfall of actual number of personnel who were imparted training during 2002-2005 compared to annual intake capacity ranged between 81 and 89 *per cent*.
- ◆ Deputy Commissioners, Kinnaur, Mandi and Sirmour spent Rs 4.60 crore of calamity relief fund on works not related to natural calamities during 2000-2005 and a sum of Rs 4.88 crore released by them for execution of 806 works during the same period had not been utilised thereby depriving the victims of the natural calamities of immediate relief.

(Paragraph 3.3)

6. Implementation of Act and Rules relating to Consumer Protection

The Consumer Protection Act, 1986 aimed at protecting and safeguarding the interest of consumers in relation to goods purchased and services availed by establishing a three tier quasi-judicial consumer disputes redressal machinery at National, State and District level. A review of implementation of the Act and Rules relating to consumer protection revealed the following points:

- ◆ Whole time district fora had been established in only four out of 12 districts of the State.
- ◆ There were many pending cases in the State Commission (813) and the District Fora (2827) as of March 2005; 500 cases in the District Fora were more than three years old.
- ◆ A uniform procedure for processing of complaints from the date of receipt till the final decision had not been laid down by the State Commission. Further, no documented policy/specific schemes existed in the State for achievement of welfare activities relating to protection and empowerment of consumers.
- ◆ Of the Central assistance of Rs 1.70 crore provided in 1995-97 by the Government of India for creation of infrastructure for State Commission and 12 District Fora, Rs 1.55 crore had been utilised for the construction of State Commission and four district fora buildings only. The balance of Rs 15 lakh remained unutilised with the Public Works Department since March 1998.
- ◆ In 1,465 cases, awards of Rs 3.34 crore were announced by the State Commission and District Fora between April 2000 and March 2005 against 52 financial companies/firms for making payment to the affected consumers which remained unexecuted.

(Paragraph 3.4)

7. Working of Himachal Pradesh State Co-operative Milk Producers Federation Limited (*Milkfed*)

Test-check of the records of Himachal Pradesh State Co-operative Milk Producers Federation Limited (*Milkfed*) revealed the following points:

- ◆ Accumulated losses of *Milkfed* stood at Rs 13.46 crore as of March 2004 compared to Rs 9.45 crore in March 2000.
- ◆ Capacity utilisation of seven out of 21 chilling plants ranged between zero and 18 *per cent*.

- ◆ Shortfall in achievement of targets fixed for production and sale of milk products ranged between 69 and 99 *per cent* for ice cream, 61 and 94 *per cent* for sweetened flavoured milk, two and 52 *per cent* for *ghee* and 21 and 60 *per cent* for butter during 2000-2005.
- ◆ Against the norm of nine and 8.5 *per cent* SNF in milk of buffalo and cow, *Milkfed* sold 81.21 lakh litres of unprocessed chilled milk to the consumers containing SNF between 7.64 and 8.45 *per cent* during 2000-2005. Thus the prescribed norms were not followed.

(Paragraph 3.5)

8. Internal control and internal audit arrangements

Audit scrutiny of records of Food, Civil Supplies and Consumer Affairs Department revealed the following main points:

- ◆ Ration card population of the State was more than the actual population during 2000-2005 which is indicative of lack of control over issue of ration cards. Possibility of issue of bogus/duplicate ration cards could thus not be ruled out.
- ◆ There were instances of inadequate control over expenditure, non-maintenance of control records and delay in submission of various returns/statements to Finance Department.
- ◆ Distribution of fair average quality of foodgrains and other essential commodities was not ensured under Targetted Public Distribution System as shortfall in taking samples of wheat, wheat *atta*, rice and sugar ranged between 25 and 95 during 2000-2005.

(Paragraph 5.1)

9. Grants to Government aided non-Government institutions

Test-check of records of Director Secondary Education, eight non-Government Colleges and six non-Government Schools for the period 2000-2005 provision in the Grants-in-Aid Rules for payment of such a revealed the following points:

- ◆ Grant of Rs 30 lakh was paid to St. Bede's College, Shimla for additions and alterations to the library building of the college though there was no provision in the Grants-in-Aid Rules for payment of such a grant.
- ◆ Grant of Rs 1.53 crore was released to GGSDS College, Baijnath for 22 surplus posts of teaching and non-teaching members of the staff during 2001-2005.

(Paragraph 5.2)

10. Material management and inventory control (North Zone)

Test-check of records of nine divisions under the control of Chief Engineer (North Zone) and information collected from Himachal Pradesh State Civil Supplies Corporation and Himachal Pradesh Agro Industries Corporation pertaining to material management and inventory control revealed the following points:

- ◆ Materials such as bitumen, cement, steel, deodar wood, etc., costing Rs 8.25 crore were shown as issued by nine test-checked divisions to 164 works between January 2000 and March 2004 without actual requirement. The adjustments were thus carried out with the objective of decreasing the value of inventory held by the divisions and utilisation of budget provisions which inflated works expenditure to that extent.
- ◆ Contrary to the decision of the Government taken in March 2000, the department paid handling charges of Rs 4.20 crore to Himachal Pradesh Agro Industries Corporation for supply of 67,334.47 tonnes of bitumen valued at Rs 87.76 crore during 2000-2004.
- ◆ Against advance payments of Rs 22.43 crore for supply of 15,458.229 tonnes of packed bitumen to eight divisions, Himachal Pradesh Agro Industries Corporation supplied 15,016.196 tonnes bitumen valued at Rs 21.79 crore. The balance quantity of 442.033 tonnes of bitumen valued at Rs 63.42 lakh had not been supplied as of March 2005. This resulted in undue benefit to the HPAIC and loss of interest of Rs 6.96 lakh.

(Paragraph 4.25)

AUDIT OF TRANSACTIONS

11. Infertuous/wasteful expenditure and overpayment

- ◆ Expenditure of Rs 38.37 lakh incurred on construction of two bridges one each over river Beas near Manali and over Binwa *khad* in Kangra district was rendered infertuous as the works had been abandoned after their part construction.

(Paragraphs 4.1 and 4.2)

- ◆ Failure of the Public Works Department to follow the specifications of Ministry of Road Transport and Highways in the construction of bridge over river Beas at Ramshilla near Kullu resulted in overpayment of

Rs 37.09 lakh to the contractor and loss of interest of Rs 10.83 lakh to the Government.

(Paragraph 4.3)

- ◆ Lack of co-ordination between the Irrigation and Public Health Department and Shah Nehar Project authorities resulted in damage to Lift Irrigation Scheme, Rey Dhoulpur and infructuous expenditure of Rs 53.43 lakh.

(Paragraph 4.4)

- ◆ Expenditure of Rs 28.61 lakh incurred on Silla *khad* Sarol *kuhl* (Chamba district) proved wasteful as there was no demand for water to irrigate the cultivated command area.

(Paragraph 4.5)

12. Avoidable/excess/unfruitful expenditure

- ◆ Expenditure of Rs 1.99 crore incurred on construction and maintenance of Lalung to Ramme and Lingti to Ramme roads in Spiti valley which could not be opened for vehicular traffic for want of a motorable bridge over Lingti *nallah* remained unfruitful.

(Paragraph 4.8)

- ◆ Bailey bridge constructed over Baspa river at Sangla in September 1997 at a cost of Rs 22.48 lakh could not be put to use because motorable roads constructed on either side of the bridge were not completed despite incurring expenditure of Rs 37.99 lakh. The entire expenditure of Rs 60.47 lakh thus, remained unfruitful.

(Paragraph 4.9)

- ◆ Expenditure of Rs 78.46 lakh incurred on construction of Flow Irrigation Scheme, Thuthar, Kuthah-Luj in Chamba district remained unfruitful as the scheme was not completed within the stipulated period.

(Paragraph 4.16)

13. Idle investment/idle establishment/blockage of funds

- ◆ Non-involvement of the Technical Education Department during formulation of the proposal for construction of three mini Industrial Training Institutes in Chamba district resulted in unfruitful investment of Rs 75.13 lakh besides locking up of funds of Rs 25.03 lakh.

(Paragraph 4.7)

- ◆ Funds of Rs 4.59 crore received by Public Works Department between October 1999 and May 2004 from several departments for execution of various works were kept under 'Public Works Deposits' thereby keeping the money outside the normal budgetary process besides blocking of Government funds.

(Paragraph 4.19)

14. Regulatory issues and other points

- ◆ Negligence on the part of Technical Officer (Tea), Palampur and Subject Matter Specialist, Rajgarh to detect pilferages of supply of fertilisers to tea planters and non-deposit of sale proceeds of plant protection material respectively led to misappropriation of Government money of Rs 17.31 lakh.

(Paragraph 4.22)

- ◆ Seven divisions of the Irrigation and Public Health Department fictitiously booked material costing Rs 2.77 crore to show utilisation of available funds in contravention of the provisions of financial rules.

(Paragraph 4.26)

Government Commercial and Trading Activities

15. Overview of Government companies and Statutory corporations

- ◆ As on 31 March 2005, the State had 21 Public Sector Undertakings (PSUs) comprising 18 Government companies (including four non-working companies) and three Statutory corporations. In addition, there were three companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2005. The total investment in working PSUs decreased from Rs 3,683.54 crore as on 31 March 2004 to Rs 3,561.30 crore as on 31 March 2005. The total investment in non-working PSUs also decreased from Rs 1,419.96 crore as on 31 March 2004 to Rs 1,359 crore as on 31 March 2005.

(Paragraphs 6.1.1, 6.1.2, 6.1.15 and 6.1.29)

- ◆ According to the latest finalised accounts of 17 working PSUs (14 Government companies and three Statutory corporations), six Government companies earned aggregate profit of Rs 8.90 crore. Only one company declared dividend of Rs 70.30 lakh. Eleven working

PSUs (eight Government companies and three Statutory corporations) incurred aggregate loss of Rs 89.32 crore as per their latest finalised accounts. Of the loss incurring working Government companies, four companies had accumulated losses aggregating Rs 80.36 crore which exceeded their aggregate paid-up capital of Rs 37.66 crore. One company earned profit as per latest accounts but its accumulated losses aggregating Rs 26.16 crore have exceeded its aggregate paid-up capital of Rs 17.81 crore. All the three Statutory corporations incurred losses aggregating Rs 71.65 crore and two loss incurring Statutory corporations had accumulated loss of Rs 452.12 crore which exceeded their paid-up capital of Rs 280.68 crore.

(Paragraphs 6.1.7, 6.1.8, 6.1.9 and 6.1.10)

- ◆ One working Government company had incurred losses for the last five years leading to negative net worth. In addition, one working Government company had turnover of less than rupees five crore in each of the preceding five years ended 31 March 2005. In view of continuous losses and poor turnover, the Government may take steps to either improve performance of these companies or consider their closure.

(Paragraph 6.1.27)

TRANSACTION AUDIT OBSERVATIONS

16. Himachal Pradesh State Forest Corporation Limited

- ◆ The Company failed to benchmark the rate of rebate payable with the bank rate of interest on credit. This resulted in an injudicious grant of rebate of Rs 6.99 crore.

(Paragraph 6.2)

17. Himachal Pradesh State Civil Supplies Corporation Limited

- ◆ Delay of more than five years in completion of a computerisation of the project resulted in unfruitful expenditure of Rs 10.89 lakh. The Company failed to recover penalty of Rs 29.06 lakh and interest of Rs 12.74 lakh due to non-completion of the project.

(Paragraph 6.4)

18. Himachal Pradesh State Electricity Board

- ◆ Filing of incomplete tariff petition for 2004-2005 with the Himachal Pradesh Electricity Regulatory Commission resulted in delay in implementation of tariff and consequent lower realisation of revenue of Rs 43.83 crore.

(Paragraph 6.5)

- ◆ Delay in implementing the decision of the Himachal Pradesh Electricity Regulatory Commission resulted in non-recovery of peak load violation charges of Rs 1.79 crore from the consumers.

(Paragraph 6.6)

- ◆ Failure to finalise the tender within the validity period, resulted in avoidable extra expenditure of Rs 59.82 lakh on the purchase of long steel tubular poles.

(Paragraph 6.7)

- ◆ Failure to recover cost share of Rs 35.20 lakh or service rentals of Rs 41.62 lakh, as per Abridged Conditions of supply of power, resulted in undue favour to the consumers.

(Paragraph 6.8)